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embracing
AMBIGUITY

MAKING JUDGMENT CALLS
WHEN THE FUTURE IS HAZY.

BY PETER C. CAIRO, DAVID L. DOTLICH, AND STEPHEN H. RHINESMITH

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WICKED—that's how some urban planners describe today's complex problems. John Camillus notes five criteria for determining whether a problem is wicked: It is wicked if it involves many stakeholders with conflicting priorities, its roots are tangled, it changes with every attempt to address it, you've never faced it before, and there's no way to evaluate whether a remedy will work.

In short, a wicked problem has innumerable causes and cannot be definitely resolved. Sound familiar?

The more urgently leaders seek crystal balls, the cloudier the prospect becomes. At least that's how it seems to many CEOs and other senior executives who peer through mists of uncertainty and paradox to see what might happen. The harder they stare, the more the mists shift. *Will oil prices go up or down? Will credit remain tight or loose? Will discretionary consumer spending increase, stay flat, or decrease? Is selling branded products or generics the answer for developing markets?*

Trying to figure out which emerging trend is significant and which will fade is frustrating. Leaders who bet wrong pay a significant price. Think of used-car lots filled with SUVs. Piles of CDs sold at garage sales. Brand-new housing developments in the exurbs. Unpredictable uncertainty about a fast-changing, ever-expanding landscape always creates a haze, and it is unlikely to lift at any point soon.

Trying to predict the future with any precision is a fool's game, but ignoring it is suicidal. The right approach lies somewhere between prediction and neglect. Recent research has revealed a positive correlation between a leader's tolerance for ambiguity and the successful management of paradoxes: Troy University management professor Debra Hunter says that a high tolerance for ambiguity entails a tendency to perceive ambiguous situations as desirable, whereas people with a low tolerance see ambiguous situations as threatening. Clearly, tolerance for ambiguity can help a leader cope with an increasingly uncertain world. But how do you develop that tolerance?

CERTAINTY AND CONFUSION

This is unfamiliar territory for head-only leaders who have long relied on analytical tools to predict where markets and technologies are going and who see their responsibility as creating order out of chaos. Quick resolution of uncertain, ambiguous situations has always been the objective. It is called problem *solving* and, sometimes, "decisive leadership." Unfortunately for head-only leaders, the world of senior leadership today more frequently calls for balancing paradoxes than for solving problems.

Uncertainty and ambiguity are also challenging for heart-only leaders who chart their course by listening and being open to a wide range of opinions. They become confused and even paralyzed by their desire to be responsive to everyone. Guts-only leaders are probably the most tolerant of ambiguity and uncertainty, but their weakness is that they place too much faith in their instincts—which may be exactly wrong in a rapidly shifting environment.

We work with many scientists, chemists, engineers, and accountants. By training, they are usually able to absorb, digest, and analyze large amounts of information. Their challenge is in making the leap from information to implication. Frequently, head-only leaders will struggle with the implications because wild swings in social, economic, and technological trends undermine logical, fact-based forecasts. Guts-only leaders will miss the boat because their instincts don't function as well in an era when all the rules have changed and experience (which sharpens instinct) has become less relevant as a predictive tool. And heart-only leaders will have difficulty identifying future trends because they're drowning in a sea of opinions and feelings—the more they listen, the more open they are to fresh perspectives, and the more confused they become.

We're not dismissing the strengths of each type of leader. Far from it. What we are suggesting is that in an uncertain, interdependent world, leaders need to avail themselves of all three capabilities if they are to avoid the obvious pitfall of overdoing their strengths.

YOU'RE NOT A WAFFLER, ARE YOU?

The future impacts different leaders in different ways at different levels. If you're a line manager, you don't have to think too far into the future—your responsibilities are generally rooted in delivering results now. The more senior you become, however, the further out your time frame stretches. For top leaders, looking ahead has become a much more difficult task than it used to be because the future is increasingly unpredictable, and because redirecting large bureaucracies is increasingly difficult in a less command-and-control world.

Being a CEO is akin to playing roulette, but with only enough resources to place a bet on one spin of the wheel. Years ago, you could place multiple bets on multiple spins. Plus, the game was often rigged: You had enough information to know what numbers were likely to come up. Now not only is everything riding on a single spin—the consequences of making the wrong bet can be catastrophic. Betting on the receipt of FDA approval, or the capacity of next-generation technology, or

CAN YOU HANDLE UNCERTAINTY?

BY BRADLEY J. MOORE

We have a saying at my company: We like to see managers get “bloodied up a bit” before moving them into more prominent leadership roles. If we believe someone has management potential, we will intentionally put him in a situation where he will encounter extreme conflict, opposition, or just plain ambiguity (which in and of itself can be very stressful). Then we will watch closely to see how the manager candidate responds. How will he handle an impossible situation where there is no right or wrong answer, but a decision has to be made? How will he manage conflict and difficult personalities? How will he stick out a thorny issue that may take a year or two to work its way through to resolution? Our hope is that the painful, difficult experiences will help mature the person in question, and that through the experience he will gain wisdom, as well as a measure of trust and respect from our executives and his peers.

The reality of most business situations is that they are extremely complicated. Kind of like real life. There are rarely cut-and-dried textbook answers to the dilemmas we face. None of us can predict the future or be precisely confident that every decision we make is the right one.

Usually, you don’t know if you’ve made the right decision until weeks or months later. Last year, we took two young, strapping guys—newly minted MBAs—and threw them into the ring to see what they were made of. It was clear that these young men had strong leadership potential. But how best to make it shine? Then the perfect opportunity came up. It was almost providential. We had a small business that had been an utter mess over the past three years due to a combination of some bad decision-making on the part of the previous manager, along with some plain old bad luck: regulatory issues, commodity-market swings, equipment failures—that sort of thing.

“Well,” I said to the chairman one day, rubbing my fingers together briskly with an evil glint in my eye, “why don’t we throw Don and Gary into this stinkhole? It would be a great experience for them, and we can see if they learned anything in business school.” We threw our heads back and broke into such a laughing fit that we could barely continue the conversation. After we calmed down, I said, “Seriously. I wonder if they would be able to manage their way through a turnaround?” The chairman leaned back in his chair and gazed up at the ceiling for a moment. A sly grin broke across his face. “Yes,” he said, slowly, calculating. “Let’s see how they do when they actually have to live inside a case study rather than talking about it in a classroom.” Brilliant.

Sometimes the best thing to help you grow and mature is to be put into a really difficult, challenging situation. If these experiences don’t do you in, they usually provide an excellent op-

portunity to grow in maturity and stamina. In my company’s case, it also allows the prospective manager to experience the practical realities of leadership, with all the messy employee issues and market chaos and unexpected crap hitting the fan. And we can’t really trust managers to make major decisions or handle significant responsibilities without having observed them living through some of these situations and, we hope, eventually coming out the other side intact.

Some people have the stomach for it, and others don’t. You find out fairly quickly. I don’t know why the difficult, gut-wrenching experiences are so crucial, other than they somehow test us—our will, our strength—and humble us at the same time. And that’s how we grow in wisdom and confidence, I guess. Now, there’s a great combination for leaders: wisdom, confidence, and humility.

There’s a huge gap between those who can make that leap and those who cannot. We have plenty of people in our organization who are capable doers, skilled at many areas of business, but who cannot seem to cross the line over into this vaguely defined level of maturity. One reason is their lack of willingness to simply take on responsibility for more and more things. Maybe they are scared. Or maybe they are just lazy. Decision-making in business involves risk, and not everyone has the personal wherewithal for combining personal responsibility with risk. Yet this is how we grow.

Don and Gary did a great job. It was hard at first, but I stayed close to them for the first few months, making sure they knew there was someone to lean on in case things got too hairy. Which they did. But gradually, as they saw the dynamics of navigating the failures and successes and all the in-between stuff, these guys gained confidence in their decision-making. They took more and more personal ownership over the business. Before long, the calls they made to me were not to ask my opinion on what to do but, rather, to inform me of some bold decisions that they needed to make to ensure the turnaround. It was great to watch this transformation. Twenty-two months after they started, the business is solid, stable, and more profitable than it has ever been. And I had very little to do with it.

The other day, Don thanked me. He said this was the best experience of his career and he wouldn’t have traded anything for it. Did the guys feel like they got a little beat up along the way? Sure they did.

Join the club.

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consumer response to a product are big choices with huge consequences. Observe the pharmaceutical, financial-services, automobile, and newspaper industries. You might have to fire 25 percent of your organization or, worse, mortgage your company's long-term viability.

And these types of wrenching decisions are hardly limited to CEOs. Middle and senior managers are increasingly facing significant choices that can affect a lot of people in large interdependent systems.

Problems really crop up after you make your bet. As with many senior leaders, your training and instinct tell you to look outward, determine what is likely to happen, and create a strategy designed to take advantage of or protect you from your "prediction." The problem? On one hand, you have been taught that leaders stay the course—they make a decision and stick with it. On the other, high degrees of uncertainty require course shifts; adaptability is the name of the game. This is the paradox of commitment—of balancing conflicting priorities.

So what choice do you make? Do you change course and open yourself up to criticism that you're a waffler? People often react negatively when a leader admits error and reverses field. More than one U.S. political leader has admitted making a mistake by supporting the Iraq war, saying that now, with fresh information, he is against it. While this seems an admirable quality—the ability to admit you're wrong and adapt as circumstances dictate—many perceive it as the sign of a disingenuous or weak leader.

Yet staying the course comes with its own negative repercussions. How long should you stick with a strategy as evidence piles up that it's not working? When do you accept that, despite your conviction that you were doing the right thing, changes in the environment have made your initial decision questionable? Do you hang in there at all costs, hoping against hope that further events will eventually justify your decisions?

All this boils down to the following: *how to strike a balance between trying to predict an uncertain future and knowing you can't.*

THE UNCERTAIN FUTURE

We all know that financial shocks are inevitable. But who would have predicted a few years ago that the 1990s dotcom bubble would be supplanted by a housing bubble that would topple the global financial system? Who would have predicted the global rise in commodity prices like wheat, corn, and rice, and the resultant impact on food prices worldwide? A few years ago, who would have thought that oil would top even \$75 a barrel, let alone \$100?

Nonetheless, most of us could have considered the finite supply of fossil fuel and at least have been thinking about what



PLANNING AND DEVELOPING A POINT OF VIEW, NO MATTER WHERE YOU SIT IN THE ORGANIZATION, IS ESSENTIAL.

that could mean for every organization, big or small. Most leaders hope someone else is thinking about this for them, but almost everyone should have been concerned about this issue and planning for contingencies. What happens if oil goes to \$200? How will this impact your supply chain? How will it affect your customers? Your employees?

Admittedly, you can't predict these types of things with much accuracy. At the same time, planning and developing a point of view, no matter where you sit in the organization, is essential. It opens your eyes to new ideas, helps you interact with a wider range of people, and can help you take action in even the most unstable times. And it allows you to gain a better idea of how you should prioritize the allocation of your resources and the attention of your organization.

Home Shopping Network is a company whose leaders spend a large part of their time planning for contingencies, because their customers are buying discretionary products with money not spent on gas, food, and other essentials. The leadership team begins its meetings every week by asking, "What is hap-

pening that is affecting our business?” and, “What is happening that affects our employees, our customers, and our future?” CEO Mindy Grossman believes that the discipline of regularly asking these questions and focusing on the uncertainty in the environment results in the leaders’ developing a point of view about what they should address as a group.

However unpredictable the future, there have always seemed to be short-term priorities and long-term priorities. You knew you needed to pay attention to the short-term priorities and that the long-term ones could “wait until later”—until you had more resources or until you had dealt with the current crisis. But the speed and scope of change means that the future may be here faster than you think. As little as ten years ago—with less connectedness through the Internet, less speed in how events unfolded, and less competition—you might have missed an unpredictable future event with fewer repercussions. Now change happens so fast and has such a huge impact that taking your eye off the future for even a moment can have serious consequences.

It used to be that concerns about potential significant events were confined to a relatively small list: You worried about how the economy might affect your company, how stable your suppliers were, how the marketplace might play itself out. But these were finite events, and as unpredictable as they were, their impact usually could be controlled. You had time to use your resilience to return to normal operations. Now CEOs and senior leaders tell us that the degree of uncertainty has increased significantly because the rate of change has accelerated. You might have major litigation one week, followed by even more major litigation the next. Emerging-market competitors might begin showing up in developed markets with cheaper products at acceptable quality at the same time that regulatory pressure driven by legislators slows your own product pipeline. The sheer speed of change can make even experienced leaders unsure about how to allocate their time and resources.

The uncertain future is no longer something you can deal with through annual strategic plans or with a problem-solution perspective. Strategic risk management today requires a different mindset. You have to pay attention and keep track of multiple variables, and global events must be considered in a new light. Financial, consumer, political, and regulatory trends need to be discussed and debated for their potential impact. And rather than finding the right solution and moving on to the next opportunity, you must balance your focus on many different issues simultaneously. That’s asking a lot of any leader, and leaders respond to this challenge in both right and wrong ways.

REBALANCING PRIORITIES

What you pay attention to determines what you do. If you do not track small failures or look closely at information on the competition or constantly scan the geopolitical environment, you may be caught dealing with a priority that seems urgent but is less important than the one you should be dealing with.

Determining what you will pay attention to is your first choice in priority management and dealing with uncertainty. Here are three “don’ts” that every leader should keep in mind when determining what to pay attention to.

Don’t get caught facing the future with a purely internal focus.

Many managers can’t escape the complex mechanisms of their own business. They don’t take a good long look at the world outside their organizations because they’re so enmeshed in the “fierce urgency of now”—their production problems, employment levels, business-plan performance, or even their annual giving program. Most senior teams become consumed by these immediate issues, often believing the maxim, “If we don’t address today, there will be no tomorrow.” Yet now, the uncertainty and potential impact of the future demand reallocation of attention because disruptions in the environment can disrupt business models with lightning speed. Uncertain markets, competitors, and new technologies can be anticipated and managed only by routinely tracking them, even if they don’t have any immediate impact on your business. Senior leaders must now spend some of their time reading, listening, and thinking about the external environment. Senior teams must now allocate precious meeting time to looking out rather than in. Jim Collins has described “Level 5 leaders,” the highest performers, as always looking out the window to identify where success comes from and looking in the mirror to find the source of failure. This trait is especially valuable when dealing with an uncertain future.

Don’t fail to challenge your assumptions.

Leaders often don’t question their beliefs when it comes to dealing with uncertainty. They assume that people will always buy music in stores. They assume that their organization will always work best with a decentralized structure because local management demands it. They assume that Europe will continue to be the most important foreign market because that is where the resources and infrastructure are invested today. These could be right or wrong assumptions, but for every business and every individual industry, whatever is assumed based on the past is likely to be wrong for the future. As comfortable as it is to determine your priorities based on your past experience—and as much as it saves time and money—it is today a deadly practice.

Don’t allow arrogance to creep into your view of the future.

By definition, arrogance makes you vulnerable to surprises. When you convince yourself that you have the answer—that you have a winning formula that will triumph in all circumstances—then something in the future is bound to get you. As Murphy’s Law postulates, “If something can go wrong, it will.” Intel’s Andy Grove suggests that “sooner or later, something fundamental in your business world will change.” The future humbles us all. Senior teams may be especially vulnerable to the temptation to believe that, like Yertle the Turtle, because they sit on top of the organization, they command all that they see, including the future. The challenge for everyone is to look into an uncertain future with a learner’s mindset and maintain flexibility. ■